Workers' Comp

Managing the New Drivers of Workers' Comp Claim Severity

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Tom Kerr (TK): You might've noticed that workers' comp claims are becoming less frequent than they once were, but they're also becoming more complex. And the data backs it up. As seen in chapter 2 of the 2026 Enlyte Envision Trends report, rising claim severity is being driven by higher utilization, delayed access to care, behavioral health factors and other issues that can quickly send a claim off track.

In this episode of the Enlyte Envision podcast, the authors of that chapter, Ed Olsen, director, Claims Performance Consulting, and Michele Hibbert, SVP, Regulatory Compliance Management, join me to discuss what the data reveals about these emerging trends, the early warning signs of high-severity claims and the steps organizations can take to improve outcomes by intervening earlier.

Ed and Michele, welcome to the show. Ed, I'm going to start with you. When you looked at the data from the Envision Trends Report, what was the biggest misconception workers' comp leaders might have about what's driving claim costs today?

Ed Olsen (EO): One of the more common questions that I have is the impact of tariffs and inflation, and really unit cost on the overall severity of a claim. And what, in reality, is happening is it's more of a utilization conversation as opposed to a unit cost.

If you look at our data year over year, you can see that providers are charging more on the workers' compensation side only slightly, maybe about 7%, but when you look at the impact of fee schedules, the actual unit cost is down 2.5%.

So, it's really the providers absorbing the decreased unit price that they're being paid and supplementing that by just increasing the amount of services that they're offering to their injured parties.

TK: OK. And the report shows that injured employees are receiving more services per claim even when treatment duration remains relatively stable. What's driving that trend?

EO: The interesting part about utilization and just claims in general is you really have to look at each claim in a very nuanced way. So, when we look at our services in our data, we break down services into what we call service groups where similar procedures are kind of lumped together.

And when you look at physical medicine-type services — that's kind of the conversation that I was just trying to describe in the earlier question — providers are being reimbursed at a lower amount per unit, so they just increase the amount of services that they're giving to their claimants, the injured parties.

They're doing that in a couple of different ways. They're increasing the speed at which they're doing it. They're doing more services in a shorter period of time so the overall treatment length doesn't increase, and/or they're increasing the number of services that they're doing per day on a patient.

So, again, it's increased utilization masked by the fact that the treatment length is staying about the same.

Now I mentioned a nuanced part of the claim because the other things that you have to bear in mind are all those other things that are going on in a claim, like I just spoke specifically about physical medicine.

But the other things that we're seeing is pain management-type services that used to be performed at a later point in the claim, they're showing up earlier in the claim now. So that's more utilization.

That's actually even a more expensive-type service, which, now, the combination of those higher-price services with the increased utilization very early in the claim is just ultimately driving that utilization and overall claim cost up.

TK: Got it. And Michele, from your perspective, where do workers' comp organizations most often lose control of claim severity?

Michele Hibbert (MH): Well, Ed's speaking a lot about the data. It's super-important in understanding this, but the truth is really severity doesn't blow up all at once. It sort of slips away in these small predictable moments, which is where the data can help us out.

So, when we see workers' comp claims blow up, it's almost always because we lost control early on in the claim. The first 24 to 72 hours, I would say, is really everything. Delayed reporting, the wrong medical provider, no immediate contact, sets the whole claim up with a really bad trajectory from that point on.

And so, from there, severity can grow when the medical care isn't guided, when return to work kind of stalls or is ignored by claim reps or their whole process at the insurer or when the adjusters are really overloaded. And

we've been focusing on that. They're overloaded and forced into a reactive mode. Add in the psychosocial issues that we've been talking about quite frequently in the industry or even the poor communication, and litigation then becomes inevitable on these claims.

So, the truth is, at the end of the day, organizations don't lose severity because of bad claims. They lose it because of bad systems, bad monitoring. So, if we fix the system early on, the severity is controlled later. It will start to follow.

TK: Michele, the report highlights access to care and treatment timing as important factors. But what happens when injured employees don't get the right care at the right time?

MH: So, as I previously mentioned, we are seeing a delay in the beginning of claims in property and casualty as a whole. A lot of that does have to do with access to care. So, when injured workers can't get timely care, the claim just doesn't slow down. I would almost say it kind of detonates.

A simple strain becomes a chronic injury. Pain builds in the injured worker. Frustration builds. And suddenly, the worker's stuck in a system instead of moving through it. Like they can't get through it fast enough, or they can't get the treatment that is needed.

Delayed care really means more tests. It can mean more specialists, more time off work, and way more costs. We saw a lot of this immediately after the pandemic, where if an injured worker had a right shoulder hurt, now their left shoulder hurts because they became more dependent on their left shoulder. So, it almost expands the injury that started with the injured worker.

When people feel ignored in the system or they can't access help, they start to disengage out of it. And they really lose trust in workers' compensation, sometimes in their employer. And they start looking for an attorney, which is a big deal now and becoming an escalation point in workers' comp.

So, if you miss the window for early care, you don't just lose time, you really lose the whole claim. That's the most important part of managing a claim … early access.

TK: Yeah. That definitely makes sense. And I'm going to throw this next question now to both of you. What are the earliest indicators that a routine workers' comp claim may be headed toward a higher-severity outcome? And Ed, let's start with you on this one.

EO: Yeah. I think I'll just piggyback on what Michele was just talking about. She had mentioned two of the earliest indicators of the claim getting a little out of hand as it matures, the first being the involvement of behavioral health-type services.

We've seen that just simply having a behavioral health diagnosis or service on a claim will increase the treatment length by two times and even the claim severity by four times, just by having that involved. Not that that's responsible for the overall cost, but just having those involved will make the overall claim cost go up by four times. So that's one of the early signals of a claim potentially getting out of hand.

And then the other one is, again, what Michele had alluded to, the delay in onset of care. The report does a pretty nice job of talking about the bifurcation of claims where some claims are going to the emergency room as normal but there's a subset of claims that are either delaying their care for non-emergent services or experiencing some kind of delay in getting access to the provider. And, that's another one of those things that if it's identified early, you can get a leg up on managing the overall severity associated with that claim.

MH: And I agree 100% with Ed. I mean, high-severity claims, they don't appear out of nowhere. They sort of announce themselves early.

If you know what to look for, if you know what to listen to on the claim and look at the early warning signs of high severity, they actually show up pretty fast, long before the claim gets complicated on paper.

But it really starts when the injury isn't reported right away, as we stated, and the worker ends up in the wrong medical setting. And all the bells and whistles that Ed mentioned, the psychosocial factors, are big red flags and even a hint of frustration by the injured worker, sends a claim into a high-severity mode.

TK: And, after looking at and analyzing the data from the Envision Trends Report, if claims leaders want to reduce workers' comp severity over the next 12 months, where do you think they should focus first? Michele, do you want to start us off here?

MH: Oh sure. No problem. I've thought about this a lot, especially after we produced our Trends Report. You know, where could we have an operational impact?

And if claims leaders want to cut severity in, let's say, the next 12 months, they really need to stop chasing the symptoms of a system and fix the front-end process. That's where the problem exists.

And that means tightening the first 72 hours with faster reporting. The most important thing is faster triage of that particular claim. And they need to have immediate medical direction. And in our research, we've seen a lot of return-to-work programs are not being ignored, but they're not being used to their fullest extent.

Reducing adjuster overload is another thing that I mentioned previously, but that has to happen on the front end so these files can get managed, not babysat, because that's not what these adjusters are getting paid to do. And that way they can get ahead of the frustration and the psychosocial risk before the claim actually explodes.

So, I guess my bottom line is you don't reduce severity by hoping the claims behave. You reduce it by owning the very beginning moments of a claim, where we can either win or lose for the injured worker.

EO: Yeah. The thing I would add to this, if they wanted to make an impact over the next 12 months, two things come to mind. The first would be talking about the utilization conversation. I think we kind of get tunnel vision on how we manage claims.

And historically, you get IMEs involved and case management involved after a certain length of time. Maybe that certain length of time mentality needs to change and kind of look at the utilization, since the data suggests that the length of time remains pretty constant but the utilization is going up in that shorter time frame.

Maybe the conversation needs to be what can we identify in those shorter periods of time that suggests that this claim needs more advanced claim handling, case management, or independent medical exams, or what have you.

The other thing is related to catching those early signals, like the behavioral health indicators and delays in care. I would suggest don't wait for bill data. There's a lot of things that are going on in the claim and in the claim system, much earlier in the process than a bill being produced. A person gets treated; the provider creates that bill and sends it. That may take a month, two months before they get it. They're already two months in at that point.

There must be data points available much earlier in the claim that they could share or mine that would help identify those claims earlier that might go off the rails later and cost payers a whole lot more with respect to medical spend.

MH: I agree with Ed on what he just said early on in the claim. This is where case management, an adjuster, their actually working with the claimant and/or injured worker. They can recognize a psychosocial situation before it's even diagnosed and a bill is sent in by a psychologist or a social worker, to Ed's point. We don't want it to get to that point if it doesn't need to happen. And, I agree with him 100%, in workers' comp, that should be recognized way before a bill is received.

TK: Yes. Very good insights from both of you. And yes, the value of case management can really play a big role in terms of early intervention and finding some of the issues that might be impacting a claim that aren't necessarily obvious during the initial diagnosis.

Was there anything either one of you wanted to add regarding the workers' comp part of your research that you would like to discuss?

MH: You know, we talk about the baby boomers leaving claims management a lot. We talk about turnover in insurance companies, but what we're really seeing, I think, is the bandwidth of the adjuster, especially the real skilled ones, has increased over time.

I talked to you before about AI, picking the right claims that go to the right people, and using new methodologies. I feel like adjuster workload is a big part of this problem, depending on the state or jurisdiction or even the industry you're working in. In construction, for example, the claims can be incredibly complex. And without the skilled workforce on the front end, the workload can be overwhelming for those go-to adjusters for an insurance company or payer. That's one of the things that really is sticking out to me.

TK: Do you see this as more of a workload issue or workforce issue in terms of not enough adjusters joining the workforce? Would this be something where AI would step in as a way to help deal with these issues?

MH: I do see AI stepping in to be able to help them pick the right claims. Because today, really, when adjusters are overloaded, their workload — they have too much coming at them — they become reactive instead of proactive. They're not able to use the really great systems that are provided to them to manage and find things. I think that's No 1.

No. 2 is we really need to examine the adjuster job in these situations at payers. It's not really been out in the forefront as a job to get. I mean, there's not too many people graduating from college and saying, "You know, I want to be an adjuster." [laughs]

And maybe claims management needs to be uplifted in a way in the professional world to be more of a thing that people are interested in doing. That's just my opinion.

TK: Yeah, I think many of us enter the profession not dreaming as children that we want to be workers' comp professionals, but here we are. And we love it, so I totally get what you're saying. [laughter]

MH: We do. We absolutely do.

TK: Ed, is there anything else that you wanted to add?

EO: Yeah. The only thing I would add to that conversation with respect to our data is it's hard enough for claims adjusters to make sure that they're managing their claims appropriately and getting the appropriate care for the injured party. But just to make it even more complex, they have to be mindful of emerging trends. The medical profession is so dynamic that it's constantly evolving and introducing new services.

And we often see in the data where a new service will come online one day. And by the very end of the year or the beginning of the next year, it has a huge impact on overall severity. And it's just those emerging trends.

So, I would just say pay attention to those items as well. Don't just kind of look at making sure that you're handling claims the way you did historically. Because every day, the medical field is changing and introducing new services that may ultimately influence your overall severity.

TK: Yes. That's very important. And it's something that I've seen mentioned throughout the Trends Report: that the old way of doing things may not be the best way of doing things in the future. And that would be a big change, I think, for workers' comp. So, it should be really interesting.

And that wraps up this edition of the Enlyte Envision podcast. For a closer look at the factors impacting our industry, I invite you to check out the 2026 Envision Trends Report. And stay tuned for our next episode where we explore the impact of behavioral health trends on workers' comp. Until then, thanks for listening.

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